

Message Text

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ACTION EA-09

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INFO AMCONSUL AUCKLAND

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TAGS: ELAB, EFIN, EGEN, EALR, NZ

SUBJECT: WAGE HEARING TRIBUNAL APPROVES SIX PERCENT WAGE INCREASE

1. BEGIN UNCLASSIFIED: THE WAGE HEARING TRIBUNAL, WHICH COMPLETED ITS HEARINGS ON 21 FEBRUARY, ANNOUNCED MARCH 2 A SIX PERCENT ACROSS THE BOARD GENERAL WAGE INCREASE TO APPLY FROM 14 MARCH 1977 "TO ALL AWARDS AND COLLECTIVE AGREEMENTS...IN FORCE IN NEW ZEALAND." (INCREASE DOES NOT APPLY TO THE COST-OF-LIVING ADJUSTMENT OF SEVEN PERCENT MADE IN JUNE 1976.)

2. ANNOUNCEMENT FOLLOWS SUBMISSIONS FROM THE FEDERATION OF LABOUR (FOL), THE COMBINED STATE SERVICES ORGANIZATIONS (CSSO) (GOVERNMENT EMPLOYEES' UNION), N.Z. EMPLOYERS FEDERATION AND THE GOVERNMENT. FOL AND CSSO HAD REQUESTED A 12.8 PERCENT INCREASE IN WAGES TO COMPENSATE FOR WHAT UNIONS CALCULATE IS 12.8 PERCENT DECLINE IN THE PURCHASING POWER OF THE AVERAGE WAGE PACKET SINCE SEPTEMBER, 1974.

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3. PRIME MINISTER MULDOON EXPRESSED DISAPPOINTMENT IN THE SIZE OF THE ORDER -- HE HAD HOPED FOR THREE PERCENT -- AND THREATENED CONTINUATION OF WAGE FREEZE PAST MAY TERMINATION DATE IN ORDER TO OFFSET WHAT HE FEARS WILL BE SERIOUS INFLATIONARY IMPACT OF WAGE ORDER. (THE TRIBUNAL, IN ITS COMMENTS ON THE SUBMISSIONS PRESENTED, ESTIMATED THAT THE ORDER WOULD LEAD TO AN INCREASE IN CONSUMER PRICES APPROXIMATING 2.3 PERCENT.)

MULDOON CRITIZED THE TRIBUNAL FOR GIVING INSUFFICIENT ATTENTION TO THE CONSEQUENCES OF ITS DECISION ON ECONOMIC STABILITY AND FORECAST THE INFLATIONARY RESULTS TO BE FAR GREATER.

4. PRESIDENT OF THE FEDERATION OF LABOUR (SIR TOM SKINNER) ALSO EXPRESSED DISAPPOINTMENT AT THE SIZE OF THE ORDER AS IT WAS LESS THAN HALF THE AMOUNT THE FOL HAD REQUESTED. SKINNER CLAIMED DECISION PROVED THE GENERAL WAGE ORDERS HAD LITTLE EFFECT IN KEEPING WAGES AND SALARIES ON A PAR WITH THE COST-OF-LIVING BUT ALSO PREDICTED THAT ORDER WOULD BE WIDELY ACCEPTED BY FOL MEMBERSHIP. EMPLOYERS FEDERATION SAW THE ORDER AS A COSTLY DECISION FOR THE WHOLE ECONOMY -- ONE WHICH WOULD ADD \$440,000,000 TO THE NATION'S WAGE BILL. A FEDERATION SPOKESMAN WARNED THAT SUCH AN INCREASE COULD NOT BE ABSORBED BY THE BUSINESS COMMUNITY, AND MUST FIND ITSELF REFLECTED IN COSTS AND PRICES. END UNCLASSIFIED.

5. BEGIN LOU: COMMENT: AWARD OF SIX PERCENT IS PROBABLY MORE THAN IS ECONOMICALLY JUSTIFIED. TRIBUNAL RECOGNIZED THIS IN ITS ACKNOWLEDGEMENT THAT ORDER WILL LEAD TO INCREASED INFLATION AND SOME DAMAGE TO BALANCE OF PAYMENTS. ITS KEY JUSTIFICATION FOR SIX PERCENT ORDER HOWEVER, IS THAT SUCH AN INCREASE IN WAGES AND SALARIES "SHOULD BE CONDUCIVE TO INDUSTRIAL HARMONY AND COOPERATION...IN THE LONGER RUN SUCH HARMONY AND COOPERATION MAY FACILITATE THE STRUCTURAL CHANGE AND INCREASED PRODUCTIVITY SO VITAL TO THE NATIONAL INTEREST." DECISION IS THUS MORE A POLITICAL DECISION THAN ECONOMIC ONE. IT IS THIS VENTURE INTO REALM OF POLITICS WHICH MULDOON CONSIDERS INAPPROPRIATE AND MOST RANKLES HIM. FACT THAT BOTH FEDERATION LIMITED OFFICIAL USE

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OF LABOUR AND EMPLOYERS FEDERATION, WHILE CRITICAL, HAVE BOTH INDICATED WILLINGNESS TO GO ALONG WITH ORDER SHOULD NEVERTHELESS BE SATISFYING TO MULDOON. MULDOON AND SKINNER ARE BOTH TOO GOOD AS ECONOMISTS AND POLITICIANS FOR THE AWARDS TO HAVE SURPRISED THEM AS MUCH AS THEIR EXPRESSIONS OF DISAPPOINTMENT -- FOR DIFFERENT REASONS -- WOULD INDICATE. THE FULL 12.8 PERCENT OF FOL'S DEMAND WOULD HAVE RESULTED IN BODY BLOW TO NEW ZEALAND'S, BUT AN INCREASE OF NO MORE THAN THREE PERCENT, SUCH AS MULDOON SUGGESTED, WOULD SURELY HAVE PROVOKED INDUSTRIAL UNREST. FOR THE PRESENT, IT SEEMS REASONABLE TO BELIEVE THAT EACH OF THE LEADERS ARE MAKING APPROPRIATE NOISES FOR DIFFERENT POLITICAL PURPOSES. WHILE THE NATIONAL GOVERNMENT MAY ENGAGE IN SOME ADDITIONAL, BUT MINOR FISCAL TAMPERING, IT SEEMS UNLIKELY IT WILL TAKE ANY MAJOR STEPS TO OFFSET THE EFFECT OF THE WAGE ORDER. SELDEN

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Copy: SINGLE
Sent Date: 04-Mar-1977 12:00:00 am
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Disposition Action: RELEASED
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